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C O N F I D E N T I A L SECTION 01 OF 02 DUBLIN 000577

SIPDIS

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TAGS: PGOV PREL EI

SUBJECT: IRISH PRIME MINISTER INCREASINGLY BELEAGUERED

REF: A. DUBLIN 573

1B. DUBLIN 571

1C. DUBLIN 569

1D. DUBLIN 556

1E. DUBLIN 545

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Classified By: Pol/Econ Chief Ted Pierce;  
Reasons 1.4 (B) and (D)

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Summary  
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11. (C) October has not been kind to Irish Prime Minister (Taoiseach) Brian Cowen. It opened with the Government struggling to contain the damage from the global financial crisis and a faltering Irish economy (Refs A and D). On October 16, Cowen had to explain to the European Council that Ireland was not yet ready to propose ways to resolve the EU dilemma created by Ireland's rejection of the Lisbon Treaty (Ref C). Then, in the face of the economic crisis, came Cowen's release of an austerity budget (Ref B), which has been savagely attacked by friends and foes alike. The flap over the budget has reinforced a perception that Cowen's authority and credibility are slipping away and that he is out of touch with the people of Ireland ) perceptions that were sparked by Cowen's remarkable failure to persuade the Irish public to pass the Lisbon Treaty referendum in June 2008. End summary.

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European Council Gives Cowen a Break ...  
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12. (U) On October 16, Cowen told EU leaders at the European Council meeting in Brussels that the Irish government was not ready to propose a way forward in responding to Ireland's June 2008 Lisbon Treaty rejection. He noted that a parliamentary committee on Ireland's future in the EU had been established, which would further examine the issue and report out by the end of November. He also said that the Irish government would consult the legal service of the EU's Council of Ministers to explore options that could make the Lisbon Treaty palatable to the Irish public. (Note: The legal service is responsible for drafting EU treaties in consultation with member states. In the past it has devised legal formulas to enable states to opt out of parts of treaties. End note.) Cowen indicated that options would be presented to the European Council at its December meeting, noting that the Irish public would need to be reassured about the role of the EU in matters of tax, abortion, the country's neutrality, and the status of its commissioner. He declared that Ireland should be at the heart of Europe, saying that he saw a need for stronger institutions and more effective decision-making as provided for in the Lisbon Treaty.

13. (C) French (and current EU) President Nicolas Sarkozy,

assured Cowen of the support of the European Council. However, he also suggested that if Ireland could not come up with its own proposals for moving the Lisbon Treaty forward in December, he might table his own. (Comment: In December, the European Council will likely expect that proposals put forth by Cowen will enable the European Parliament election in June 2009 and the appointment of new commissioners in November 2009 to be conducted under the new Lisbon Treaty rules rather than the existing Nice Treaty rules. December, however, may be too soon for Ireland to commit to the Lisbon Treaty rules (Ref C). End comment.)

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... But His Own Party Does Not  
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¶4. (SBU) Forced into austerity by the global financial crisis and the downturn of the Irish economy, Cowen's new budget, unveiled on October 14, raises taxes and reduces benefits (Ref B). A fierce public and political outcry has ensued. Especially sharp criticism has been leveled at Cowen or his plan to eliminate the automatic entitlement of all people 70 and older to free medical care and use a means test instead to determine who within this group should pay. Not only did the opposition and the public express outrage at the elimination of this entitlement, but non-Cabinet Members of Parliament from his own party Fianna Fail, Members of Parliament from his coalition partner Green Party, and independent Members of Parliament who have generally supported the coalition also vigorously objected. One Member of Parliament, Joe Behan, a 20-year Fianna Fail veteran, resigned from the party in protest. An independent Member of Parliament called the measure "socially unfair, morally wrong and political madness." Another publicly withdrew his support for the government. Some political commentators

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started talking about a vote of no confidence in Cowen's government.

¶5. (SBU) Stung, Cowen appealed on October 19 for "time and space" to find a solution to the uproar. Delaying a long-planned trip to China, he stated that his proposed plan to eliminate free medical care for all those 70 and older would need to be changed in order to gain wider public acceptance. He indicated that his government would consult with the Irish Medical Organization on solutions. However, he reiterated that an acceptable solution had to be sought that would sustain needed reductions in government expenditures. Union leaders warned that increased taxes and reduced benefits could derail the social partnership agreement negotiated in September but not yet finalized (Ref E). (Note: The government, the business community and labor meet triennially to reach voluntary agreements on wages and benefits. End note.) Opposition Fine Gael leaders tabled a parliamentary motion, to be debated the evening of October 22, calling for a reversal of the elimination of free medical care for all those 70 and older.

¶6. (SBU) In a hastily announced press conference on the morning of October 21, Cowen announced to the nation that he had "listened carefully" to the "depth of feeling" expressed and had found a solution. Expressing regret for the anxiety caused and blaming a failure to "adequately communicate" for the uproar, he pointed out that 70 percent of those 70 and older would have remained eligible for free medical care in spite of the policy change. Nonetheless, he went on to say, the government had decided to raise the threshold for eligibility for free medical care such that 95 percent of those 70 and older would continue to be eligible. Cowen insisted that the "budgetary parameters" he had originally set (a savings of euro 100 million) would be maintained by renegotiating payment rates for the treatment of those 70 and older as well as realizing savings by not paying for medical treatment for the wealthiest five percent of this group. Following Cowen's press conference, political

commentators referred to "a revolt in the ranks," "a breakdown in party discipline," and "the collapse of Cowen's authority."

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Comment  
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¶7. (C) Once the political dust had settled over the weekend, it became clear that those objecting to the elimination of free medical care for all those 70 and older did not intend to bring down Cowen's government (and perhaps their own political fortunes). Rather, they were warily eyeing the voters in their constituencies and were trying to position themselves as champions of the vulnerable. Most appear happy with the compromise crafted by Cowen. Nonetheless, the incident has reinforced a perception that Cowen's authority and credibility are slipping away and that he is out of touch with the people of Ireland ) perceptions that were sparked by Cowen's remarkable failure to persuade the Irish public to pass the Lisbon Treaty referendum in June 2008.

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